

## NORTH CAROLINA EDUCATION LOTTERY GAME RETAILER FINANCIAL GUIDELINES

North Carolina Education Lottery (NCEL) game retailers are subject to certain financial conditions, as stated in the North Carolina Education Lottery Retailer Contract. These conditions and guidelines described below detail the responsibilities of the lottery game retailer in order to ensure fair and equitable handling of all financial circumstances with regards to lottery game retailer accounts. Any deviation from these guidelines will be at the discretion of the Executive Director.

Each retail outlet must be approved by the Legal/Security division of the NCEL prior to obtaining a contract to dispense lottery products. A portion of this approval process includes a background check verifying the financial status of the individuals applying for the contract by obtaining personal and professional credit history. A report containing questionable or unresolved credit issues may cause the individual to be subject to a conditional status, requiring that a security deposit be posted in an amount determined by the NCEL based on anticipated or current sales. Questionable items may include debts sent to a collection agency marked as "unpaid," unresolved judgments, and personal or business bankruptcy. These guidelines are intended to be applied fairly to all applicants for a lottery contract.

In addition, personal credit reports on all owners may be run annually or as often as deemed to be necessary, to update the status of active retailers and decisions based on the results of new information may include the requirement of a security deposit according to guidelines.

Payment for lottery tickets is to be made via weekly electronic funds transfer (EFT) or more frequently as determined by the NCEL from the lottery game retailer bank account to the NCEL receiving account. It is the responsibility of the lottery game retailer to deposit all lottery proceeds into a designated bank account daily.

On the first occasion (Step One) of an "insufficient funds" EFT a charge of \$25 will be added to the lottery game retailer account. The retailer will be contacted via telephone as well as notified in writing by the NCEL. A cashiers check or money order for the uncollected balance must be delivered to NCEL headquarters or a NCEL regional office within 24 hours of first notification. At the sole discretion of the Executive Director a business check may be accepted for payment depending on the circumstances. If payment is not received within 24 hours the lottery terminal will be disabled and instant ticket deliveries will cease until such time payment is received.

If a second (Step Two) "insufficient funds" EFT occurs within a six-month period, a charge of \$50.00 will be added to the lottery game retailer account. The lottery game retailer will be contacted via telephone as well as in writing. A cashiers check or money order for the uncollected balance plus \$50.00 must be delivered to NCEL headquarters or a NCEL regional office within 24 hours of first notification. At the sole discretion of the Executive Director a business check may be accepted for payment depending on the circumstances. The lottery terminal will be immediately disabled and instant ticket deliveries will cease until such time payment is received.

Any subsequent (Step Three) "insufficient funds" events within six-months of the second occurrence will result in a \$75.00 fee, disabling of the lottery terminal for up to 30 days, ceasing of instant ticket deliveries, and the settlement and retrieval of all instant tickets in the possession of the lottery game retailer. The lottery game retailer will be contacted via telephone as well as in writing. A cashiers check or money order for the uncollected balance plus \$75.00 must be delivered to NCEL headquarters or a NCEL regional office within 24 hours of first notification. A security deposit may be required to restore the lottery contract.

In addition, any lottery game retailer with two or more "insufficient funds" payments during a six-month period will be ineligible for any incentive programs that may apply to the periods of unsuccessful sweep attempts.

Retailer Number: \_\_\_\_\_  
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Any lottery game retailer may regain "good financial standing" with the completion of six successive months of successful EFT sweeps. "Good financial standing" allows a retailer to participate in incentive programs that may be in effect.

In the event that a lottery game retailer defaults on payment, individuals listed as having financial interest in the business (those individuals listed in the retailer application) will be considered financially liable for any outstanding balance owed to the NCEL at the time of default as well as all instant tickets and equipment not returned to the NCEL.

In the event that payment is not forthcoming after a period of 90 days from the date of default, the names of the responsible individuals will be forwarded to a collection agency for the purpose of collecting the debt. An unpaid debt may result in a listing on the personal credit history file of each individual financially associated with the defaulting lottery game retailer.

**Security Deposit Guidelines:**

The minimum security deposit, if required to be posted by any potential NCEL lottery game retailer, is \$2,000.00; a higher deposit may be indicated and required for stores determined to have higher selling potential, which may be based in part on sales data from a prior NCEL lottery game retailer at the same physical location.

A deposit exceeding the minimum of \$2000.00 may also be required from those applicants with a significant number of negative items on credit reports. An appropriate security deposit will be determined after an appropriate background check is completed. All deposits will be held a minimum of 3 years after which time a new financial credit review will be conducted including the retailer's financial credit history with the NCEL. At the discretion of the Executive Director, the security deposit may be reduced or returned to the lottery game retailer pending the results of the financial credit review. Should a lottery game retailer terminate their contract with the NCEL and pay all funds due the NCEL, the security deposit will be returned to the retailer.

The two forms of acceptable security deposits are:

1. **Surety Bonds** from one or more insurance companies acceptable to the NCEL and licensed to transact business in the issuing state and approved by its corresponding Department of Insurance; or
2. **An Irrevocable Standby Letter of Credit** from a commercial bank licensed by the North Carolina Commissioner of Banks to transact business in the State of North Carolina (in a form and substance acceptable to NCEL) and to be used either (a) in lieu of a financial performance bond or (b) until a surety or other financial performance bond can be issued.

\_\_\_\_\_  
Signature of Owner or Authorized Agent

\_\_\_\_\_  
Date

Retailer Number: \_\_\_\_\_  
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